



**CAFETERIA PLANS: A MENU OF NON-OPTIONS FOR SMALL BUSINESS OWNERS
MARCH 16, 2017**

AS PREPARED FOR DELIVERY

Good morning. Thank you all for being with us today. I call this hearing to order.

The tax code has many purposes apart from revenue collection. Cafeteria plans are a prime example. They were enacted in 1978 to encourage employers to provide benefits for lower-paid employees.

Cafeteria plans have become a popular form of employee compensation. They are employer-provided benefit plans under which employees may choose between cash and benefits. For example, if you participate in a flexible spending account, commonly called an FSA, or have dental or vision coverage that you pay for directly from your paycheck, you are participating in a cafeteria plan. You have the choice to receive your full paycheck, or to forgo some portion of it in exchange for benefits that you choose, and most importantly ones you received pre-tax.

Cafeteria plans are available across the board to large and mid-size companies, non-profits, schools, universities, and the federal government. However, one major category of people who are not allowed to participate in a cafeteria plan is small business owners. They can sponsor these plans for their employees, but they cannot personally participate. This provides a disincentive to offering the plan in the first place.

Today's hearing will focus on why small business owners are not treated on par with larger employers. Today's witnesses will also discuss the effects of this policy on small business employees and whether this policy should be changed.

I'd like to thank our witnesses for coming today. I look forward to your testimony. I now yield to Ranking Member Evans for his opening remarks.